Chapter XIV

CLAUDE BOULAY

14.1 Corporate Organization

After operating an advertising agency in Quebec’s Eastern Townships with his partner Jean-Pierre Belisle for five or six years, Claude Boulay and Mr. Belisle opened an office in Montreal in 1982 and started to expand their business across Canada under the name Groupe Everest. Over the years, other partners joined the firm, but Mr. Boulay continued to be its president and principal shareholder. A web of interrelated corporations was created, but for the sake of simplicity they will be described collectively as Groupe Everest, the name by which the businesses were known to the Government and under which advertising and sponsorship contracts were administered.

In 1996, Mr. Boulay’s wife, Diane Deslauriers, started to carry on business with and for Groupe Everest through her personal corporation, Caliméro Partenariat Inc. (Caliméro), which sought out and administered sponsorship contracts on behalf of Groupe Everest for both public and private clients.¹
14.2
Selection as Agency of Record (AOR)

Groupe Everest was one of the agencies qualified by the February 1995 competition to receive advertising contracts from Heritage Canada. Since it immediately began to receive sponsorship contracts from Public Works and Government Services Canada once Mr. Guité “extended” the Heritage Canada list of qualified suppliers to cover suppliers to PWGSC, Groupe Everest did not need to involve itself in either the March 1995 or the 1997 competitions which led to the qualification of ten other advertising and communication agencies.

However, on October 29, 1997, when PWGSC announced its intention to hold a competition to select a new AOR, Groupe Everest allied itself with two other agencies to form a consortium under the name Média Vision, to present its candidacy and to make a presentation to the selection committee chaired by Mr. Guité. Groupe Everest’s role in the consortium is not disclosed in the application, although its presentation document refers to certain federal government accounts including the Attractions Canada file. Mr. Boulay’s name does not appear anywhere. He may have been concerned that an entity controlled by Groupe Everest might have been disqualified from acting as an AOR because of the potential for a conflict of interest.

On December 15, 1997, following the competition, Mr. Guité informed a representative of Média Vision that it had been chosen as the new AOR. A contract was prepared for signature, and it was in that context that it was revealed that the contracting party was to be a corporation named Média/IDA Vision Inc., whose obligations would be guaranteed by Groupe Everest. Mr. Boulay must have revealed to Mr. Guité that Média/IDA Vision Inc. was a wholly owned subsidiary of Groupe Everest.

Evidently the presentation of the representatives of Média Vision to the selection committee had been misleading, to say the least. It is impossible to know if the selection committee would have made the same choice if it had been made aware of the ownership and the true identity of the candidate.
Nevertheless, the contract engaging Média/IDA Vision Inc. as the Government’s AOR for a five-year period was signed on March 31, 1998, in spite of the irregularity. From then on it earned a 3% commission on all sponsorship contracts for its services.

14.3
The Business of Groupe Everest

Although sponsorship contracts and advertising became an important source of revenue for Groupe Everest in the years from 1995 to 2002, it also had significant revenues from its private sector clients. It was never as dependent on government business as were the agencies operated by Jean Brault, Jean Lafleur, Gilles-André Gosselin and Paul Coffin. Leaving aside the fees earned as an AOR, government sources accounted for 28% of its total revenues over the period.

It should also be noted that the Commission saw no evidence of the abusive practices that have been described in the preceding chapters, such as recording and billing hours that were not worked, the exaggeration of time charges and overbilling generally, in the contracts managed by Groupe Everest. Nevertheless, as will be seen from what follows, the pursuit for profit led Mr. Boulay and his associates to manage their business in ways which, although they may not have been illegal, were at best dubious and at worst unethical.

14.4
Relationship with Paul Martin and the Liberal Party

Mr. Boulay and Ms. Deslauriers and the corporations they own or control have overtly been strong supporters of the Liberal Party of Canada. In the years from 1996 to 2003 inclusive, they made political contributions to the Party totalling $194,832. In the election year of 2000 alone, their contributions totalled $68,593. Mr. Boulay also worked actively for Paul Martin in 1991 as a volunteer supporting his unsuccessful campaign for the federal Liberal leadership.
During the election campaign of 1993, both Mr. Boulay and Ms. Deslauriers contributed their time and efforts for about 40 days, assisting the organizers in Mr. Martin’s riding. They participated in speech-writing, telephone solicitation, door-to-door campaigning, and advising on strategy and communications. During this period they had occasion to meet Mr. Martin frequently, as did other election workers.\textsuperscript{14}

Following the election, Ms. Deslauriers continued to be active in fundraising activities in Mr. Martin’s riding on one occasion for the LPCQ and for the Quebec provincial Liberal Party.\textsuperscript{15} She acquired a formidable reputation as a seller of tickets for fundraising events.

Again in 1997, Groupe Everest and Mr. Boulay personally rendered services to the LPCQ in developing and implementing campaign strategy, for which Groupe Everest was remunerated the sum of $118,950.\textsuperscript{16}

In the course of these activities, a social friendship developed between the Boulays and Mr. Martin. This having been said, there is no evidence that that friendship or the well-documented ties of the Boulay couple to the Liberal Party of Canada were ever invoked by Mr. Boulay in an attempt to influence government officials to direct business or contracts to Groupe Everest, nor is there any credible evidence that Mr. Martin ever had a hand in the awarding of contracts to Mr. Boulay’s agency.\textsuperscript{17}

In his testimony Alain Renaud alleged, in a transparent attempt to discredit Prime Minister Martin, that he had overheard a conversation in which Mr. Boulay would have discussed the Attractions Canada dossier (discussed later in this chapter) with Mr. Martin.\textsuperscript{18} I was satisfied that no credence at all could be given to his allegation, which is firmly denied by Mr. Boulay.\textsuperscript{19}
In a number of instances Groupe Everest entered into agreements with its clients, who were promoting sponsored events, by which it would be entitled to receive a commission paid by the promoter as a reward for its efforts in securing the sponsorship from PWGSC (“a canvassing commission”). The commission was usually stipulated to be 20% of the amount of the sponsorship obtained in the first year, decreasing to 15% in subsequent years. It would be received from the sponsoree in addition to the usual 12% commission payable by PWGSC to the communication agency managing a sponsorship contract on behalf of the Government. The latter commission would nowhere be mentioned in Groupe Everest’s agreement with the promoter.

Such double commissions were collected, for example, with respect to the sponsorship contracts awarded to Groupe Everest for the Société du parc des Îles (“the Société”), which operated an amusement park at which the Government wished to have visibility. They were also paid in connection with the Jeux de Québec in 2001. Although a canvassing commission was not in fact paid by Luc Lemay’s company, Polygone, for the Salons held in Montreal and Quebec City, it was foreseen in the contract dated late 1996 by Polygone and Groupe Everest.

In the case of parc des Îles, the Société received sponsorships for five years starting in 1997, totalling $2,625,000. The usual agency commission of 12% payable by PWGSC to Groupe Everest brought in revenues of $315,000, to which were added production fees of $57,910. From the evidence, it may be concluded that the total of $371,910 very adequately remunerated Groupe Everest for its time and efforts devoted to the management of the five sponsorship contracts.

However, by virtue of its agreement with the Société, Groupe Everest also received from it in the first four years commissions totalling $343,750 for the solicitation of the sponsorships. These commissions were not disclosed to PWGSC. In the fifth year, 2001, Pierre Tremblay heard that some
agencies were charging such commissions. He promptly sent a letter to all sponsorees, explaining that the agency handling the sponsorship was adequately paid for its services by the Government, and that no additional remuneration was warranted.27 Probably as a result of that letter in the fifth year the Société did not pay Groupe Everest a canvassing commission.

Despite Pierre Tremblay’s intervention, Mr. Boulay and Ms. Deslauriers saw nothing wrong with the practice of collecting a commission from both the promoter of a sponsored event and the client paying the sponsorship money. They say that in the private sector the payment of a commission by the sponsoree, who of course is usually very happy to receive money of this kind, is normal practice.28 Their explanation fails to recognize the fundamental difference between what might take place in the private sector and what occurred in the Sponsorship Program.

In the private sector, when a commercial enterprise pays the promoter of an event for the privilege of being able to announce its financial participation, and to advertise its products, it is perfectly logical for the canvasser who solicited the sponsorship to receive a commission as a reward for the successful solicitation. The sponsor does not pay the canvasser, who has only one client, the sponsoree, and is loyal only to its interests.

In the case of sponsorship contracts awarded by the Government, the loyalty of the communication agency is supposed to be to its client, which, in the case of the Sponsorship Program, is PWGSC. The contract obliges the agency to look after the Government’s interests, for example by ensuring that the visibility for which it is paying is given in accordance with the visibility plan negotiated with the sponsoree at the outset. If the sponsoree, by carelessness or by a disregard of its engagements, fails to fulfill its obligations, the duty of the communication agency is to advise the Government of this breach, so that it might protect the public interest by withholding the sponsorship money or by seeking redress in some other way.
When Groupe Everest was arranging to collect commissions from both sides, it put itself in a conflict of interest because of its divided loyalties. It could not objectively represent the interests of both sides at once. The fact that its representatives do not understand the concept of a conflict of interest demonstrates that they were not fully aware of their contractual responsibilities to the Government of Canada. The case of the Société du parc des Îles is a good example of a conflict of interest and the receipt by Groupe Everest of very substantial commissions, far in excess of what was necessary as fair remuneration for the work accomplished.

What is most revealing is that Ms. Deslauriers, who through her personal corporation, Caliméro, handled this file on behalf of Groupe Everest, did not disclose to Pierre Bibeau, the Executive Director of the Société, that Groupe Everest was paid by the Government to manage the sponsorship. Mr. Bibeau testifies that he had no idea that Groupe Everest was being remunerated for its work other than by the very substantial commissions it was receiving from his own enterprise. If Ms. Deslauriers truly had a clear conscience that collecting a commission from both sides of a transaction was entirely appropriate, surely she would have let both her clients know that she was doing so. Keeping this information from them was a tacit admission that what she was doing could be criticized.

The public servants in PWGSC are not blameless with respect to the payment of double commissions. Some realities should have been faced. In a market economy such as ours, commercial enterprises such as communication agencies are operated by their owners and managers with one overriding objective, to make profits. The greater the profits, the more successful the business. Government officials should be conscious that the business enterprises with which they contract will be motivated in this way, and will not be inclined to safeguard the public interest at their own expense. It is accordingly one of the functions of the bureaucracy to protect the public purse against the desire for excessive profit of the private sector. This function was totally neglected in the file of the Société du parc des Îles. A telephone call or other simple verification with Mr. Bibeau concerning the arrangements he had made with Groupe Everest would have revealed that he was paying
it a second commission. Clearly the Government paid $343,750 more for the visibility obtained than it was worth to Mr. Bibeau’s business, since that was the amount redirected to Groupe Everest as a canvassing commission.

14.6 Art Tellier Contract

In the Art Tellier file, a substantial commission was paid to Groupe Everest in spite of the fact that it performed no services and failed to fulfill its obligations to the Government under the sponsorship contract in question.

In February 1999, Alain Renaud put Mr. Guité in contact with his brother Benoît Renaud, who operated a small business called Art Tellier, which was producing and procuring promotional articles such as t-shirts. Mr. Guité, on behalf of PWGSC, was interested in acquiring a quantity of such articles. He visited the Art Tellier premises to examine samples, and asked Benoît Renaud to prepare a quotation. There was no price negotiation or solicitation of competing bids.31

Almost immediately after Mr. Guité’s visit, Art Tellier received a purchase order from Groupe Everest32 in all respects identical to its quotation. Mr. Guité explained to Benoît Renaud that it was necessary to proceed through the agency of Groupe Everest because Art Tellier was not a pre-selected supplier.33 Of course, this was nonsense. Nothing prevented PWGSC from procuring the articles directly from this supplier if it had taken time to follow normal contracting procedures, if it had sought competing bids, and if this supplier had won the bid. Instead, Mr. Guité issued a contract to Groupe Everest.34

Art Tellier filled the order, and the articles were delivered directly to Mr. Guité’s office.35 It sent a bill to Groupe Everest for $390,000, and Groupe Everest in turn invoiced PWGSC for that amount, adding a commission of 17.65%, or $68,835.36

Vincent Cloutier of the Groupe Everest subsidiary which handled this matter says that no work was performed by his agency.37 This confirms Benoît Renaud’s testimony on this issue. The usual services for which a
commission of 17.65% is charged consist of seeking out at least three bids from potential suppliers of the goods to be procured by the subcontractor, and verifying that the goods supplied are in conformity with the specifications of the purchase order. Failure to perform these services was a failure to fulfill the terms of the contract between PWGSC and Groupe Everest. It follows that it did not earn its commission of $68,835.

When Mr. Boulay learned of this transaction, he was conscious of its irregularity and made an investigation. He says that his staff showed him a letter from Mr. Guité, saying that a call for tenders had taken place and that Art Tellier had been chosen as the low bidder. However, neither Mr. Boulay nor PWGSC was able to produce a copy of that letter for the Commission. In any event it was the responsibility of Groupe Everest, not Mr. Guité or PWGSC, to call for tenders, and this was not done.

14.7 Attractions Canada Contracts

The Attractions Canada project was conceived in 1996 by Mr. Boulay himself, and consisted of a publicity campaign aimed at Canadians to make them aware of the tourist attractions available to them in Canada. It was financed by the tourist industry in partnership with the federal government, which sought to gain greater visibility in print advertisements and in radio and television announcements.

The project had been proposed in 1996 by Mr. Boulay to Roger Collet of the Canada Information Office, which agreed to sponsor it for an initial term of three years. A contract with Groupe Everest was signed, engaging its services to act as its coordinator, to supply creative services, and to organize media placement. This was a major undertaking and involved disbursements by the Government of more than $27 million over the five-year lifetime of the project, of which about $3 million was earned as fees and commissions by Groupe Everest. Nothing suggests that there was any impropriety in the administration of the project, which was generally considered to be a success.
The initial sponsorship contract was extended to 2001, but in that year the question of its further renewal became a cause for concern for Mr. Boulay, since several of his employees worked full-time on the Attractions Canada file and would be out of work if the project were to be discontinued. On February 2, 2001, he wrote to Mr. Gagliano asking that the contract be extended and that the Government commit itself to disburse an additional $3.5 million on the project. Mr. Boulay testifies that he wrote the letter on the recommendation of Pierre Tremblay, then the Executive Director of the Communication Coordination Services Branch. Jean-Marc Bard, who was the Executive Assistant of Mr. Gagliano’s office, recalls having received telephone calls from Mr. Boulay about the problem, although Mr. Boulay says he has no recollection of making any such calls.

On April 1, 2001, the contract between Groupe Everest and PWGSC, which had inherited the file from the CIO, was signed for exactly the amount requested in Mr. Boulay’s letter.

What is significant about these facts is the direct involvement of the Minister’s office. Such involvement contradicts Mr. Gagliano’s assertions that such matters were left to the sole discretion of the bureaucrat in charge of administering the Program, in this case Pierre Tremblay. Mr. Boulay’s testimony about why he wrote to Mr. Gagliano is credible. Pierre Tremblay’s advice to Mr. Boulay demonstrates that Mr. Tremblay did not consider that he had the authority to renew the contract without the concurrence of the Minister, a belief shared by Mr. Boulay. We have no evidence that Mr. Gagliano redirected this inquiry, or similar inquiries, to departmental officials, indicating that he would not participate in the decision-making process. It would have been a simple matter for him to do so.

14.8
Financial Results

Because of the significant revenues which Groupe Everest continued to earn from its clients in the private sector during the years when it was also deriving revenues from the Sponsorship Program and from government advertising,
it is not possible to determine with precision the extent to which it profited from the latter sources, but there can be no doubt that they were lucrative. The net revenues from the operations of Média/IDA Vision Inc. alone between 1998 and 2003 were $1,709,441.49.49

It should be noted, however, that when the Attractions Canada contract was renewed in 2002, following Mr. Goodale’s temporary suspension of the Sponsorship Program, the commission payable for media placement was reduced from 17.65% to 11.75% and the AOR commission was reduced from 3% to 2%.50 Such reductions could have been requested and negotiated years earlier for this contract and indeed for all sponsorship contracts administered by PWGSC. It was incumbent upon Mr. Guité or Pierre Tremblay to attempt to procure goods or services at the lowest prices available, but they did not initiate such efforts. It is too much to expect the private sector to voluntarily reduce its profits unless the Government negotiates a lower price or the contract stands to be lost to a competitor offering the Government better value for its money.
Endnotes to Chapter XIV

2. Exhibit P-19, Tab 15.
3. Exhibit P-19, Tab 20.
4. Exhibit P-56, Tab 3.
5. Exhibit P-56, Tab 13; Testimony of Mr. Boulay, Transcripts vol. 104, pp. 18872-18873 (OF), pp. 18866-18867 (E).
7. Exhibit P-56, Tab 15.
8. Exhibit P-56, Tab 16.
9. Exhibit P-56, Tab 16.
13. Testimony of Mr. Boulay, Transcripts vol. 102, pp. 18492-18493 (OF), pp. 18473-18474 (E).
14. Testimony of Mr. Boulay, Transcripts vol. 102, p. 18492 (OF), p. 18473 (E); Testimony of Mr. Boulay, Transcripts vol. 104, pp. 18828-18829 (OF), pp. 18826-18827 (E); Testimony of Ms. Deslauriers, Transcripts vol. 104, pp. 18958-18959 (OF), pp. 18945-18946 (E).
17. Testimony of Mr. Martin, Transcripts vol. 73, pp. 12784-12798 (Original transcript; testimony of Mr. Martin in both English and French), pp. 12783-12798 (F), pp. 12783-12798 (E); Testimony of Mr. Boulay, Transcripts vol. 102, pp. 18495-18504 (OF), pp. 18474-18483 (E).
18. Testimony of Mr. Renaud, Transcripts vol. 96, pp. 17065 (OF), pp. 17058 (E).
19. Testimony of Mr. Boulay, Transcripts vol. 102, pp. 18500-18504 (OF), pp. 18480-18484 (E).
20. Testimony of Mr. Boulay, Transcripts vol. 102, p. 18395 (OF), p. 18388 (E).
21. Exhibit P-357, addenda, p. 2 of the agreement; Testimony of Mr. Boulay, Transcripts vol. 103, p. 18696 (OF), p. 18682 (E); Testimony of Ms. Deslauriers, Transcripts vol. 104, p. 19019 (OF), pp. 18999-19000 (E); Testimony of Mr. Bibeau, Transcripts vol. 105, p. 19192 (OF), pp. 19179-19180 (E).
24. Exhibit P-357, p. 2.
25 Exhibit P-357, p. 2.
26 Testimony of Mr. Guité, Transcripts vol. 109, pp. 19851-19852 (OF), pp. 19852-19853 (E).
27 For example, Exhibit P-357, addenda (letter from Pierre Tremblay to Pierre Bélanger).
28 Testimony of Mr. Boulay, Transcripts vol. 103, pp. 18688-18691, 18719-18725 (OF), pp. 18674-18678, 18703-18709 (E); Testimony of Ms. Deslauriers, Transcripts vol. 105, pp. 19033-19034 (OF), p. 19033 (E).
29 Testimony of Mr. Polevoy, Transcripts vol. 105, p. 19162 (OF), p. 19152 (E); Testimony of Mr. Bibeau, Transcripts vol. 105, pp. 19198-19199 (OF), pp. 19185-19186 (E).
30 Testimony of Ms. Deslauriers, Transcripts vol. 105, pp. 19033-19034 (OF), p. 19033 (E); Testimony of Mr. Bibeau, Transcripts vol. 105, pp. 19188-19199 (OF), pp. 19185-19186 (E).
31 Testimony of Mr. Benoît Renaud, Transcripts vol. 105, pp. 19230-19237 (OF), pp. 19214-19221 (E).
32 Exhibit P-351, pp. 31-35; Testimony of Mr. Benoît Renaud, Transcripts vol. 105, p. 19242 (OF), p. 19224 (E).
33 Testimony of Mr. Benoît Renaud, Transcripts vol. 105, pp. 19235-19236 (OF), pp. 19218-19219 (E).
34 Exhibit P-351, pp. 10-27.
35 Exhibit P-351, pp. 57-63.
36 Exhibit P-351, pp. 37-38.
38 Testimony of Mr. Cloutier, Transcripts vol. 105, pp. 19123-19124 (OF), p. 19116 (E).
39 Exhibit P-367; Testimony of Mr. Boulay, Transcripts vol. 104, pp. 18841-18843 (OF), pp. 18839-18840 (E).
40 Testimony of Mr. Boulay, Transcripts vol. 103, pp. 18617-18622 (OF), pp. 18612-18616 (E).
41 Testimony of Mr. Boulay, Transcripts vol. 103, pp. 18626-18627, 18638-18640 (OF), pp. 18619-18621, 18631-18632 (E).
42 Exhibit P-90(A)
43 Testimony of Mr. Boulay, Transcripts vol. 103, p. 18641 (OF), p. 18633 (E).
44 Exhibit P-90(C), pp. 34-35.
45 Testimony of Mr. Boulay, Transcripts vol. 103, pp. 18643-18644 (OF), pp. 18635-18636 (E).
46 Testimony of Mr. Bard, Transcripts vol. 63, pp. 11110-11111 (OF), p. 11105 (E).
47 Testimony of Mr. Boulay, Transcripts vol. 102, pp. 18469-18475 (OF), pp. 18453-18458 (E).
48 Exhibit P-90(C), pp. 17-29.
49 Exhibit P-340(A), p. 28.
50 Testimony of Mr. Boulay, Transcripts vol. 103, p. 18649 (OF), p. 18640 (E); Exhibit P-90(C), p. 54.